Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ HW: Industrialization

Due Friday 1/11/13

**• Foundations for Growth**

In the 1850s researchers discovered that petroleum found in the ground in Pennsylvania was valuable. Petroleum could be burned to produce heat and smoke-free light. In 1859 Edwin L. Drake drilled a well in Titusville, Pennsylvania and discovered a pool of oil. His discovery led to the birth of a multimillion dollar industry. Companies and railroads wanted to expand, but they needed money to do so. They raised money, or capital, by becoming a corporation. A ***corporation*** is a company that sells partial ownership, or shares, of its business to public investors. The shares of partial ownership are called ***stock.*** The ***shareholders,*** or investors who buy shares of stock, hope the corporation will be successful and the value of their stock will increase. Then they can sell their shares for a profit. Some corporations also pay ***dividends,*** or a percentage of its profits, to shareholders. Special markets called stock exchanges were created to buy and sell stocks. Thousands of people bought and sold stocks in the late 1800s.

Many railroads and businesses incorporated, or formed corporations. Businesses also borrowed money from banks to pay for start-up or expansion costs. Banks made profits on the loans.

**• The Oil Business**

After Drake discovered pools of oil underground, “oil rush” towns sprang up all over Pennsylvania. Others hoped to become rich by discovering oil. Oil was found in Ohio and West Virginia. The oil boom expanded. John D. Rockefeller created the most famous corporate empire of the times. When he was 26 years old, Rockefeller and four partners set up an oil refinery to process oil in Cleveland, Ohio. In 1870 Rockefeller formed the Standard Oil Company of Ohio. He

bought most of the other oil refineries in Cleveland and other cities. He combined the competing companies into one corporation, a practice known as ***horizontal integration.*** The corporation produced other equipment and materials it needed, such as tank cars, pipelines, and wooden barrels. Standard Oil became wealthy and powerful.

Rockefeller used other methods to control the oil industry. He lowered his prices so other companies would go out of business. He put pressure on his customers to keep them from using other companies. He received rebates, or secret discounts, from the railroad in exchange for his business. Rockefeller bought stock in many different oil companies. The shareholders traded their stock for stock in Standard Oil. Rockefeller formed a ***trust,*** or group of companies managed by the same board of directors, in 1882. Rockefeller’s trust became a ***monopoly,*** which means that a single producer had almost total control of the oil industry.

**• The Steel Business**

New manufacturing techniques, such as the Bessemer and open-hearth processes, made manufacturing steel affordable. The steel industry grew into a huge business in the late 1800s. Steel was used for railroad tracks, bridges, and other products because it was strong and durable. Steel is made from iron treated with carbon. Steel mills were built near sources of iron ore, such as Pittsburgh, Pennsylvania; Cleveland, Ohio; Chicago, Illinois; Detroit, Michigan; and Birmingham, Alabama. Andrew Carnegie dominated the steel industry by 1890. By 1900 he produced one-third of the nation’s steel. He built a steel mill near Pittsburgh that used the Bessemer process. He named his company after his biggest customer, the president of the Pennsylvania Railroad, J. Edgar Thompson. Carnegie utilized an approach known

as ***vertical integration.*** He bought companies that offered services and manufactured equipment his company needed. In this way, he was able to control all phases of the business. His companies were combined into the Carnegie Steel Company in 1900. He sold the steel company to J.Pierpont Morgan. Morgan combined Carnegie Steel with his other businesses to create the first billion-dollar corporation in the world, United States Steel.

Both Rockefeller, Carnegie, and other millionaires believed in ***philanthropy.*** They donated generously to organizations and institutions that benefited the community. They built schools, universities, libraries, concert halls, and medical research facilities.

The laws of different states either encouraged or discouraged monopolies. Companies incorporated in states with laws that encouraged monopolies. Instead of buying companies, their holding companies bought enough stock in the company to control it. Corporations expanded through ***mergers,*** or combining companies. Corporate mergers enabled a few huge companies controlled by a few powerful men to have most of the economic power. Because these individuals monopolized their industries, there was no competition. These companies did not have to keep their prices low or improve their goods or services in order to win customers. Because of the lack of competition, many states passed laws restricting monopolies during the 1880s. Corporations avoided states with such restrictions. The Sherman Antitrust Act was passed by Congress in 1890. It was not very effective.

**• Working Conditions**

In the late 1800s, many companies were formed. Factories became larger. New jobs were created. Workers were able to afford the goods they needed and even a few luxuries. Laborers worked long hours for little pay, however. They often worked six days a week for 10 or 12 hours. Employers could fire them for any reason at any time. When business was bad, workers were fired to save money. Many were replaced by immigrants who were willing to work for less pay.

Factories were not safe or healthy places to be. Workers were often injured or became ill. Garment workers worked in ***sweatshops,*** or crowded factories in cities. Women were paid about half of what men were paid for the same work. Children also worked long hours for little pay in factories or sweatshops. Child labor laws, passed by many states, were ignored by employers. The laws stated that children must be at least 12 years old and could work no more than 10 hours each day. These laws did not apply to children who worked on farms.

**• Labor Unions Form**

Workers organized labor organizations to fight for better pay and working conditions. ***Trade unions*** represented skilled workers in a trade, such as carpentry. They were not very successful because they only represented one trade. Labor leaders expanded their unions in the mid-1800s. The Noble and Holy Order of the Knights of Labor, a garment

cutters union in Philadelphia, was formed in 1869. They met secretively and had secret handshakes to keep their union membership hidden. Employers fired workers who joined unions. This union became a national organization that allowed women, African Americans, immigrants, and unskilled laborers to join. In the 1890s, the group lost power and members because of a series of strikes, where workers refused to work until their working conditions and pay were improved.

The American Federation of Labor (AFL) was created in 1886. Different national trade unions came together to form this federation. The AFL represented skilled workers in different trades. The AFL fought for better pay, shorter hours, better working conditions, and the right of the union to represent workers in bargaining with company management personnel, known as ***collective bargaining.*** Despite many violent strikes, the AFL continued to grow. The International Ladies’ Garment Workers Union (ILGWU) pushed for a safer working environment after a disastrous fire in 1911. When a fire broke out in a crowded sweatshop in New York City at the Triangle Shirtwaist Company, almost 150 workers died. They could not escape the fire because the doors were locked to prevent them from leaving early.

**• The Unions Act**

Many workers were fired during economic depressions in the 1870s and 1890s. Those who were not fired earned less pay. Workers went on strike. Employers hired nonunion workers, called ***strikebreakers,*** to replace the striking workers. Violence and riots often erupted. People were sometimes killed. Federal troops were often called in to restore order. The Haymarket Riot at Chicago’s McCormick Harvester Company in 1886 was bloody and workers were killed. Someone threw a bomb, killing a police officer. Many Americans did not like unions because of the violence.

Two other famous strikes happened at the Carnegie Steel plant in Pennsylvania, and the Pullman railway-car plant near Chicago. In 1892 at the Carnegie plant, managers tried to weaken the union by cutting wages. The strike that followed left at least 10 people dead. Three hundred armed guards were brought in for protection. George Pullman closed his plant when workers went on strike protesting reduced wages. The American Railway Union supported the striking workers at the Pullman plant and refused to run the Pullman cars. This action stopped railway traffic. The U.S. Attorney

General Richard Olney granted a court order, or ***injunction,*** which made the workers stop holding up the railway system. The labor unions lost many of their battles, which weakened the labor movement.

Questions:

1. How did people raise enough money to expand their businesses?
2. How did John D. Rockefeller become the leader of the oil industry?
3. How did Andrew Carnegie become so successful in the steel industry?
4. What were the working conditions in factories?
5. Why were labor unions formed?
6. Why did the labor movement have little success?